

VZCZCXYZ0000
RR RUEHWEB

DE RUEHRH #0188/01 0450738
ZNR UUUUU ZZH
R 140738Z FEB 10
FM AMEMBASSY RIYADH
TO RUEHC/SECSTATE WASHDC 2486
INFO RUEHBJ/AMEMBASSY BEIJING 0393
RUEHBR/AMEMBASSY BRASILIA 0001
RUEHLO/AMEMBASSY LONDON 2958
RUEHMO/AMEMBASSY MOSCOW 0717
RUEHNE/AMEMBASSY NEW DELHI 0510
RUEHOT/AMEMBASSY OTTAWA 0002
RUEHPG/AMEMBASSY PRAGUE 0048
RUEHUL/AMEMBASSY SEOUL 0174
RUEHVI/AMEMBASSY VIENNA 0090
RUCPDO/DEPT OF COMMERCE WASHDC
RHEBAAA/DEPT OF ENERGY WASHINGTON DC
RHEHNSC/NSC WASHDC

UNCLAS RIYADH 000188

SENSITIVE
SIPDIS

DEPARTMENT FOR NEA/ARP
DEPARTMENT FOR EEB DOUG HENGEL
DOE FOR PDAS JONATHAN ELKIND

E.O. 12958: N/A
TAGS: [EPET](#) [ENRG](#) [PREL](#) [SA](#)
SUBJECT: INTERNATIONAL ENERGY FORUM DISCUSSIONS CAUTIOUSLY
ADVANCE AGENDA TOWARDS CANCUN MINISTERIAL

¶1. (SBU) Summary: Forty three of 53 countries that attended the International Energy Forum's February 6-7 meeting of the Expanded High Level Steering Group broadly endorsed a recommended set of next steps to make the IEF a more effective venue for a producer-consumer dialogue on international oil issues. There was broad consensus that the IEF's informal structure offers an important venue for producers and consumers to discuss frankly issues related to long-term oil supply and demand, which in turn helps build understanding of others' concerns. There was general consensus that the IEF would benefit from a charter that spelled out clearly what the organization's role is, and how it will function. A number of countries also stressed the importance of not duplicating the work of other organizations, such as the International Energy Agency or OPEC. Countries will be asked to formally confirm their approval of a set of recommendations on the way forward and a draft declaration for the upcoming IEF ministerial meeting in Cancun. End Summary.

¶2. (U) On February 6-7, 53 countries attended the first meeting of the Expanded High Level Steering Group (EHLHG) of the International Energy Forum (IEF) in Riyadh. The IEF provided an overview of the recommendations of the group of experts tasked at the December 2008 summit to examine the reasons for oil market volatility and recommend ways to deal with this issue in the future.

Rationale for a Stronger - but Informal - Organization:

¶3. (SBU) The chair of the High Level Steering Group, Saudi Assistant Oil Minister Prince Abdulaziz and co-chair Graham White, Director of the UK's International Energy Markets Department, summarized the history of this group, noting that the leaders of the G20 at the December 2008 London Summit tasked the IEF to examine the reasons for oil market volatility. White noted that UK Prime Minister Brown remained convinced of the importance of understanding how physical and financial oil markets interacted, which in turn calls for a more transparent, active dialogue between producers and consumers. In that regard, the eleven-country HSLG had looked for ways to facilitate an enhanced producer

consumer dialogue. It concluded that it would make sense to enhance the architecture of the IEF, including strengthening the political commitment of participating countries to conduct a substantive dialogue, and regularize their financial support for the secretariat, while keeping the informal character of the organization, which has proven very useful in allowing countries to freely debate underlying issues, rather than rehash prepared formal positions. White stressed the importance of avoiding duplication of the work of other organizations, particularly the International Energy Agency (IEA) and OPEC. White also noted the importance of focusing the dialogue on three areas, including the long-term outlook for supply and demand for oil, the links between physical and financial energy markets, and improving data collection within joint efforts such as JODI. Prince Abdulaziz also underscored the importance of a stronger producer-consumer dialogue, and working together to limit market disruptions, which should help encourage the necessary investments to ensure that future demand is met. He concluded by noting the strong attendance at this EHLSG meeting embodied the spirit of cooperation that the King had hoped to foster when he declared that Saudi Arabia would support the founding of the IEF Secretariat in Riyadh.

14. (SBU) Noe Van Hulst, the IEF Secretary General, briefly discussed the way forward. If Ministers approve the report's suggestions at the March ministerial meeting in Cancun, this will lead to the drafting of a charter for the IEF, which will spell out in detail how the enhanced organization will work. Van Hulst noted the importance of making the content of the IEF discussions more results-oriented, and more precise, which he hoped would help markets operate more

efficiently and with greater transparency. Dick Jones, Deputy Executive Director of the IEA, noted the IEA's strong commitment to the producer consumer dialogue, and welcomed cooperation with the IEF. He noted that the IEA has agreed to hold an annual joint seminar with the IEF on oil markets, and looks forward to cooperation on research into the physical and fiscal links in the markets.

Delegation Comments:

- - - - -

15. (SBU) Most of the fifty three delegations offered comments on the HLSG recommendations. All delegations were broadly supportive, at least in their public comments, about the general direction of the recommendations and the value of strengthening this informal forum for producers and consumers to discuss important energy issues. India was noteworthy for its enthusiastic and foursquare support of the expanded IEF and the recommendations of the HLSG. China was also quite supportive of the IEF's role in strengthening the producer-consumer dialogue, particularly because of its informal character. South Korea noted its support for the IEF, which it expects to contribute to the success of the next G20 summit in Seoul. A number of delegations raised questions about what the scope of the enhanced dialogue would cover. Several argued in favor of including other forms of energy, such as gas and renewable energy, although no clear consensus emerged in favor of such an expansion of IEF's scope. The (relatively low-level) Russian delegate called for the involvement of the Gas Exporting Countries Forum (GECF), although it was not clear whether this was under formal instructions. Countries also asked about the specific goals and purpose of the enhanced dialogue, and how membership would be decided, both in the organization and on the executive board. Several (e.g., Canada) also noted they would need more detail on the budget implications of expanding the scope of the dialogue and its membership before being able to approve the recommendations. Several non-G20 countries suggested that Annex II (the IEF-IEA-OPEC agreed work plan) of the recommendations should refer to the importance of working with the G20 "and other relevant organizations." The co-chairs undertook to convey that suggestion to OPEC and IEA (both of whom had representatives in attendance), although they also noted that the document was a work plan that reflected discussions between the three

organizations.

¶6. (SBU) The cochaIRS and the IEF Secretariat took these questions on board, and noted that most will be answered during the process of negotiating the charter, which will spell out in detail what the IEF's goals are for an enhanced dialogue, as well as what will be expected from participants.

Van Hulst said the secretariat will have to come up with some estimates for what the budget would cost, although he noted that the first time any changes would take place would be the 2012 budget. The charter will also spell out what areas the dialogue will cover, although it was noted that the impetus for the current HLSG came from a concern to better understand oil price volatility.

Next Steps:

- - - - -

¶7. (SBU) Forty three of the 53 countries in attendance indicated they were already in a position to approve the draft ministerial declaration and the recommendations, or expected soon to be able to do so. Several of the other countries (e.g., Canada, Czech Republic and China) noted that they had not had sufficient time to review the documents and get approval from capitals. Attendees agreed that they will contact the IEF Secretariat by February 26 to advise whether they have formally approved the documents. In the event that countries decide they need further clarification or to request changes, the cochaIRS will try to resolve these issues directly. The cochaIRS expressed the hope that the 43

countries that indicated they were able, or optimistic they soon would be able to approve, would approve with few if any changes, reflecting the broad consensus expressed at the meeting. In the event that major changes are proposed, the cochaIRS will call for a meeting on March 16 in Vienna to resolve the issues so that the documents can be approved by Energy Ministers at the upcoming Cancun Ministerial.

IEA Concerns:

- - - - -

¶8. (SBU) In an IEA members' meeting before the plenary, Dick Jones noted that IEA is interested in greater cooperation with OPEC and the IEF, although he complained that OPEC had not recently seemed to be interested in expanding cooperation with the IEA, and the IEA has felt left out of some of the IEF discussions. There was some discussion about whether it made sense to expand the IEF into gas and renewable energy, although several IEA members noted that it may make more sense to focus the IEF's efforts, and that there would be budget implications of broadening its scope too much.

¶9. (SBU) In private comments made to USDEL, most countries thought that the IEF could play a useful role in strengthening the producer-consumer dialogue, but several thought that it would be more effective to the degree it was more tightly focused and avoided duplicating the work of other agencies, such as the IEA. Some also expressed frustration that they had received the documents with only a few days to review them, and then received a full court press from Prince Abdulaziz to agree to the suggestions in the HLSG.

Comment:

- - - - -

¶10. (SBU) Comment: The general consensus of participating countries is that the IEF could be a good vehicle to strengthen the producer-consumer dialogue is very welcome. This could both help address some of the underlying concerns that led to the formation of the HLSG two years ago, such as an interest in understanding better the concerns of producers and consumers and how they play out in the linkages between the physical and financial aspects of energy markets. It also offers the prospect of a greater Saudi role in an international group, which Embassy Riyadh believes will provide a useful precedent in a number of areas. We will

continue to work with the SAG to productively channel their enthusiasm for this organization.

¶11. (U) Countries indicating approval or optimistic they would soon approve: Algeria, Angola, Austria, Australia, Azerbaijan, Bahrain, Belgium, Czech Republic, Ecuador, Egypt, India, Iran, Iraq, Ireland, Italy, Japan, Kuwait, Hungary, Finland, France, Germany, Greece, Libya, Netherlands, New Zealand, Nigeria, Norway, Mexico, Oman, Pakistan, Philippines, Poland, Qatar, Romania, Saudi Arabia, South Africa, Spain, Sudan, Turkey, United Kingdom, UAE, United States, Venezuela.

¶12. (U) This cable has been cleared by the U.S. delegation (DOE PDAS Jonathan Elkind and EEB DAS Doug Hengel).

SMITH